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C O N F I D E N T I A L SECTION 01 OF 03 KOLONIA 000053

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SUBJECT: FSM PRESIDENT SEEKS U.S. HELP TO REFORM COMPACT  
INFRASTRUCTURE AND FISCAL REQUIRMENTS

REF: A) HUGHES-PULA TELCON OF APRIL 17; B) KOLONIA 29; C) KOLONIA 17

CLASSIFIED BY: Miriam K. Hughes, Ambassador, Amembassy Kolonia,  
State.

REASON: 1.4 (d)

1.(C) SUMMARY. President of the Federated States of Micronesia (FSM) Emanuel Mori invited Ambassador Hughes to his office on April 15 for a rare one-on-one meeting. He said he had just fired an American contract employee of the U.S. Department of the Interior (DOI) whom the President believed had mismanaged Compact infrastructure projects and complicated communication with the FSM Congress and the four FSM States. The President further confided that he felt overwhelmed by the complexity of Compact requirements. He asked the Ambassador for help. End Summary.

PRESIDENT DISMISSES KEY U.S. COMPACT CONTRACTOR

12. (C) On short notice, FSM President Mori invited Ambassador Hughes to meet in his conference room on April 15. He dismissed an aide who tried to come in. In a rare one-on-one meeting that lasted nearly an hour and a half, the President said he had just fired an American contract employee of the U.S. Department of the Interior's Office of Insular Affairs (DOI/OIA), Robert Westerfield, who managed the Compact infrastructure projects. The President said he had considered this move for many months, and finally concluded he had to take action.

13. (C) Complaints from the Congress and FSM states included unsatisfactory communication with this manager, incidents of explosive anger, lack of transparency, inordinate delays, and poor prioritization of projects, among other charges. Mori said he had seen evidence of these problems. He claimed that Westerfield had additionally ordered new cars for the PMU and for contract engineers in the four states, expressly against the President's orders. He feared that this employee, who controlled access to all the contracts, might abscond with valuable information. Mori said he recently discussed these and other charges with Westerfield, demanded copies of all documents, and offered him a less central position in the State of Yap. It is unclear whether the American accepted the offer of alternate employment. Mori said Westerfield remained angry.

14. (C) The President asked Ambassador Hughes for help to find a better qualified candidate to manage contracts and Compact construction projects within the FSM National Government (FSMNG) Project Management Unit (PMU), which oversees all Compact infrastructure projects and is funded entirely by DOI's Compact infrastructure grants. He said the PMU required a construction

engineer with solid technical background and program management expertise. This person would need to communicate sensitively and responsively with Micronesians, particularly with the FSM Congress and officials in the four states. The President said he would welcome a qualified Department of Defense (DOD) representative from the U.S. Army Corps of Engineers or from a DOD Civic Action Team, for example. The Ambassador agreed to follow up with DOI and DOD. (Note: Ambassador subsequently called OIA Director Nik Pula (Ref A), Admiral French of COMNAVMAV in Guam and the U.S. Charge in Palau. Pula was aware of the President's decision. He concurred with engagement of DOD and others to try to find a qualified replacement as soon as the FSMNG released a vacancy announcement.)

#### COMPACT INFRASTRUCTURE MANAGEMENT NEEDS MORE INFORMATION SHARING

15. (C) President Mori appeared tired and thin. He alluded to hurtful attacks by the FSM Congress, which recently passed a bill to transfer the PMU from the President's office back to the Department of Transportation, Communication and Infrastructure (TC&I), where the PMU had previously resided. Shortly after Mori vetoed this bill, the Congress voted unanimously to override the veto - one of many recent defeats for the President in the FSM Congress. "I only attached the PMU to my office to get it working better," Mori explained wearily.

16. (C) The Ambassador recalled Mori's initiative of over a year ago. She said both nations had hoped to make a major push to start up Compact infrastructure projects, which had been snarled for the past five years in management disputes and law suits. Now that some of the projects were moving, Mori said the FSM

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could not afford to lose any momentum. Ambassador responded that relocating the PMU under the Department of TC&I might actually facilitate communication and progress. TC&I Secretary Francis Itimai had already commenced meetings to analyze delays in projects, starting with a five-year wait for an early childhood education center in Yap, which Yap's Governor Anefal had protested vigorously to the Ambassador and others. She noted that the TC&I Secretary had responded immediately to these concerns. Itimai and members of the FSM Congress had additionally begun to consider opening small TC&I branch offices in each state to enhance coordination, as called for in the FSM Strategic Development Plan. Mori agreed that these were useful initiatives and that he could still retain close oversight of the PMU through his TC&I Secretary.

17. (C) Ambassador noted that better communication with the Embassy and others was vital to dispel charges of lack of transparency, favoritism and cost overruns. FSM Congressional and state officials had expressed strong concerns about their perceptions of secrecy, inequities among the state projects, and decisions on expensive construction material and elaborate project designs (Ref C). Many Micronesians blamed OIA and the PMU for ruling out the option of prefabricated buildings, which had supposedly worked well in the Republic of the Marshall Islands. Officials of New Zealand, Australia and China complained that they did not have early access to information on projects that might interest companies of their nations.

18. (C) Ambassador suggested that the PMU could launch its own easily accessible website to preview projects, explain bid procedures, and post budgets. Mori responded, "What a good idea. I will do that at once with the public information officer." Ambassador added that the Embassy must be advised in

advance and invited to groundbreaking ceremonies for projects that are funded with U.S. taxpayers' money. She questioned why a big groundbreaking ceremony for the Chuuk road project had been scheduled in the dead heat of a very competitive gubernatorial election. Mori said he had also questioned the timing, admitting he was disgusted and had declined to attend. He acknowledged that the incumbent governor (who recently emerged victorious in a close runoff vote) had helped stage an elaborate ceremony in Chuuk, which enabled the Governor to publicly claim credit for securing the biggest infrastructure project in FSM history. Mori explained that the PMU advised him that the groundbreaking had to proceed owing to demands of the construction company, which would otherwise lose time and money. Mori concurred with the Ambassador that in the future, a clear chain of command for infrastructure decisions needed to be established.

#### COMPACT PROBLEMS DRAIN THE PRESIDENT

¶9. (SBU) Finally, President Mori asked if the Ambassador had ever read the amended Compact? Ambassador Hughes responded that no one should attempt to read from cover to cover over 300 pages of such a comprehensive agreement. Rather, she used the Compact as a reference resource whenever questions arose, which happened frequently. The President was pensive and unusually candid, remarking, "Well I have tried and tried to read the Compact, and I just don't understand it. It is too hard for me." Mori, who is a former banker and graduate of business administration from Guam University, asked, "What do you call all those financial rules at the end?" The Ambassador acknowledged that the Fiscal Procedures Agreement, which reflected U.S. federal grant requirements, seemed to be widely misunderstood in the FSM.

¶10. (SBU) Mori confided that he feared the FSM would never be able to implement the amended Compact effectively. He suggested that the Five Year Review of the Compact needed to be a joint, substantive exercise in which specific provisions are revisited. He indicated that the FSM was also prepared to work with sympathetic members of the U.S. Congress and noted in particular the boost the FSM had received from the recent visit and friendship of Congressman Eni Faleomavaega (Ref B).

¶11. (SBU) On the margins of DOI's recent Pacific island business conference in Honolulu, Mori said he had met with U.S. Senators Inouye and Akaka, Representatives Faleomavaega and Bordallo, the Governor of Hawaii and some state senators, among

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others. He claimed that all these officials agreed that the Compact was very complicated and reforms needed to be considered, including for Compact implementation and fiscal requirements and procedures. At the same time, the President said representatives from Hawaii and Guam complained that a rising influx of destitute Micronesians was taxing their budgets and creating "a huge public expense," particularly in health care. "I am caught in a very awkward position," Mori concluded.

He asked for innovative guidance and understanding from the United States Government.

HUGHES